TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 690 - SB 648

April 18, 2019

SUMMARY OF ORIGINAL BILL: Allocates a portion of state sales and use tax revenue to a public entity designated by a county responsible for the retirement of all or a portion of the debt of a new event center. The amount apportioned shall be equal to the amount of state and local sales and use tax revenue, including any portion of local sales taxes that otherwise would be allocated for school purposes, from the sale of food and drink and other authorized goods and products sold on the premises of the event center, ticket sales, parking charges, and related services on the premises of the event center. Such tax revenues apportioned must be applied to any debt service related to the event center, and shall continue until all debt, including any refinancing debt, relating to the event center is retired. For purposes of determining the allocation amount, the event center includes the facility in which the events are held and shall include any and all ancillary facilities such as parking facilities and any lodging facilities adjacent to the facility in which events are held.

Prohibits any state tax revenue, derived from the increase in the rate of sales and use tax allocated to educational purposes pursuant to Public Chapter 529, § 9 of the Public Acts of 1992, and derived from the increase in the rate of sales and use tax from six percent to seven percent contained in Public Chapter 856, § 4 of the Public Acts of 2002, from being apportioned and distributed pursuant to this legislation.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – $94,900/Each FY21-22 through FY50-51

Forgone State Revenue - $19,000/Each FY21-22 through FY50-51

Increase Local Revenue – $113,900/Each FY21-22 through FY50-51

Other Fiscal Impact – An additional $5,500 in local government revenue will shift from school purposes to debt repayment on the event center each FY21-22 through FY50-51.

SUMMARY OF AMENDMENT (008239): Deletes and replaces all language after the enacting clause such that substantive changes are: (1) requires the apportionment of state and local sales and use tax, that will be distributed to such public entity responsible for the future event center, be equal to the incremental state and local sales and use tax revenue attributable to such future event center, which is in excess of amounts currently collected from the site on which the future event center will be located; (2) removes lodging facilities from the ancillary facilities that will comprise such future event center; (3) limits the use of the special allocation of state and local sales tax revenue to the original debt incurred to finance the event center project; and (4) prohibits the use of such funds being used for any refinancing of such debt.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Forgone State Revenue – Exceeds $38,100/Each FY21-22 through FY50-51

Increase Local Revenue – Exceeds $38,100/Each FY21-22 through FY50-51

Other Fiscal Impact – An additional amount exceeding $20,000 in local government revenue will shift from general purposes (including school purposes) to the original debt service on the event center each FY21-22 through FY50-51.

In addition, there could be subsequent increases in state and local government revenue and expenditures due to secondary economic impacts prompted by passage of this legislation. Fiscal impacts directly attributable to such secondary impacts cannot be quantified with reasonable certainty.

Assumptions for the bill as amended:

- It is assumed that this new event center is a new multipurpose facility and will include one medium-size parking facility.
- It is assumed that a medium-size parking facility will be constructed in conjunction with the event center, and that construction is not contingent upon passage of this legislation and would take place in the absence of this legislation.
- According to the Department of Revenue, based on tax receipts of Clarksville-area businesses, one medium-size parking facility generates approximately $9,756 in annual state sales tax. Ticket sales, concessions, and other goods, products, and services sold at the event center are assumed to generate $51,100 annually in state sales tax revenue.
- Total recurring state sales and use tax revenue from such future event center is estimated to be at least $60,856 ($9,756 + $51,100).
- It is assumed that no more than $10,000 in recurring state sales tax revenue is currently being generated from the property that will become the future event center. Any such current revenue will continue to be received by the state for funding general purposes of state government.
- The incremental state sales tax revenue is estimated to exceed $50,856 ($60,856 - $10,000) per year.
- Additional taxable sales are estimated to exceed $726,514 ($50,856 / 7.0% current state sales tax rate).
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local government receives 4.603 percent of state sales tax revenue as state-shared sales tax revenue.
- This legislation stipulates that the 0.5 percent earmarked to education and the 1.0 percent earmarked to the state be excluded from the distribution created by this legislation.

- The proposed distribution will apply to revenue generated by the 5.5 percent portion of the current 7.0 percent state sales tax rate (7.0% - 0.5% - 1.0%); and to revenue generated by the local option sales tax rate of 2.5 percent.
- The amount of state revenue excluded from the distribution is estimated to exceed $10,898 ($726,514 x 1.5%). This revenue will be generated by the state in the absence of this legislation.
- The amount of state revenue included in the distribution is estimated to exceed $39,958 ($726,514 x 5.5%). Of this amount, at least $1,839 ($39,958 x 4.603%) would have been distributed to the respective local government in the absence of this legislation pursuant to the state-shared allocation.
- The proposed legislation will result in recurring forgone state revenue exceeding $38,119 ($39,958 - $1,839) and an equivalent recurring increase in local revenue.
- In addition, an amount exceeding $20,002 [($726,514 x 2.5% local option sales tax rate) + $1,839] in local government revenue will shift from general purposes, including school purposes, to the repayment of the original debt used to finance the event center project.
- This legislation stipulates that this reallocation of state revenue will continue until all of the original debt relating to the event center is retired.
- It is assumed that the construction of the new event center and parking facility will begin soon and be completed by June 30, 2021. This redistribution of state sales tax revenue is assumed to start on July 1, 2021, or in FY21-22.
- The total construction cost of any event center and ancillary facilities, and the term for any such original debt, are unknown.
- Further, it is unknown what other funds, public and private, will be available to the public entity designated by the Montgomery County Government (MCG) to pay off the original debt service incurred from constructing the event center and ancillary facilities. Such amounts available, and the extent to which the MGC will utilize such funds to pay towards any such original debt obligation, will determine when this reallocation of revenue will cease to continue.
- However, the term of such original debt obligation is reasonably assumed to be for a 30-year period. Thus, the fiscal impacts estimated for this legislation covering the term of the original indebtedness are assumed to begin in FY21-22 and cease following the completion of FY50-51.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Krista Lee Carsner

Krista Lee Carsner, Executive Director

/jdb